



Smartshares CIP Funds

Product Disclosure Statement

19 April 2024

Offer of units in the Smartshares CIP NZ Core Equity Fund and the Smartshares CIP NZ Yield Equity Fund in the QuayStreet Funds



ISSUER: SMARTSHARES LIMITED | **INVESTMENT MANAGER:** CRAIGS INVESTMENT PARTNERS LIMITED

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on disclose-register.companiesoffice.govt.nz. Smartshares Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

1. Key information summary

What is this?

This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments. Smartshares Limited (**Smartshares, we, our** or **us**) will invest your money and charge you a fee for its services. The returns you receive are dependent on the investment decisions of Smartshares and of its investment manager and the performance of the investments. The value of those investments may go up or down. The types of investments and the fees you will be charged are described in this document.

This Product Disclosure Statement (**PDS**) contains an offer of units in the Smartshares CIP NZ Core Equity Fund and the Smartshares CIP NZ Yield Equity Fund (**Funds**), each being a fund in the QuayStreet Funds managed investment scheme (**Scheme**). Investment into the Funds is only available to clients of Craigs Investment Partners Limited (**CIP**) or its related parties.

What will your money be invested in?

This PDS offers two Funds for you to invest in.

These Funds are summarised below. More information about the investment target and strategy for each Fund is provided at section 3 (Description of your investment options).

| Fund name, description, and investment objective | Risk indicator* | Total annual fund charges (Estimated) (% of fund value) |
|---|---|--|
| <p>Smartshares CIP NZ Core Equity Fund</p> <p>Invests in core holdings of a New Zealand equities portfolio, as selected by CIP in its capacity as investment manager of the fund. The fund is designed to provide a stable exposure to New Zealand equities for investors with a long-term investing horizon. The fund aims to target large-cap, liquid, NZX companies which are aligned to CIP's investment philosophy. Given the concentrated nature of this fund, investment returns may vary from the broader market year to year.</p> | <p>Risk Level</p> <p>LOW RISK HIGH RISK</p> <p>1 2 3 4 5 6 7</p> <p>Potentially lower returns Potentially higher returns</p> | 0.25% |
| <p>Smartshares CIP NZ Yield Equity Fund</p> <p>Invests in high dividend-paying companies in New Zealand, as selected by CIP in its capacity as investment manager of the fund. The fund aims to provide investors with a higher-than-market dividend yield, whilst remaining aligned to CIP's investment philosophy. The fund will be primarily suited to those investors with a greater income bias. Companies that can deliver sustainable, growing dividends over time are the focus.</p> | <p>Risk Level</p> <p>LOW RISK HIGH RISK</p> <p>1 2 3 4 5 6 7</p> <p>Potentially lower returns Potentially higher returns</p> | 0.25% |

*The risk indicators are based on returns data for the 5 years to 31 March 2024. The Funds have not been in existence for 5 years, so market index returns have been used to complete the risk indicators. As a result, the risk indicators may provide a less reliable indicator of the potential future volatility of the Funds. The risk indicators use 5 years of market index returns.



See section 4 for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at sorted.org.nz/tools/investor-profiler.

Who manages the Funds?

Smartshares is the manager of the Scheme. See section 7 (Who is involved?) for more information.

What are the returns?

Each Fund can make distributions to investors from income or capital at our discretion. Distributions are generally made quarterly. Distributions are paid into your bank account.

See section 2 (How does this investment work?) for more information.

How can you get your money out?

You can redeem your investment in the Funds at any time. Withdrawals can be requested in writing for a minimum amount of \$1,000. We may suspend or defer redemptions in certain circumstances where we consider the redemption impractical or would materially prejudice the interests of other investors in the Funds.

See section 2 (How does this investment work?) for more information.

Your investment in the Funds can be sold, but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

How will your investment be taxed?

Each Fund is a portfolio investment entity (PIE).

The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR). To determine your PIR, go to ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate. See section 6 of the PDS (What taxes will you pay?) on page 10 for more information.

Where can you find more key information?

We are required to publish quarterly updates for each Fund. The updates show the returns, and the total fees actually charged to investors, during the previous year.

The latest fund updates are available at quaystreet.com/fund-updates/cip. We will also give you a copy of the fund updates on request. Important information for our Australian investors is set out in section 11.



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2. How does this investment work?

Structure of the Funds

This document is an offer to purchase units in the Funds. Each Fund is a trust within the QuayStreet Funds managed investment scheme. Each Fund is governed by a master trust deed dated 1 June 2016, as amended on 30 September 2022, and an establishment deed specific to each Fund. Each Fund is registered as a Portfolio Investment Entity (**PIE**).

Your investment in a Fund is an investment in units in a trust. Your money is pooled with other investors' money. Each Fund will itself invest in a range of assets. You do not have legal ownership of these assets, but you do have rights to any returns generated in a Fund you are invested in.

Assets of one Fund are not available to be applied to meet the liabilities of another Fund or the manager.

Our Investment Approach

Both Funds are invested primarily in New Zealand equity assets. Each Fund has a different investment objective and risk and return profile. Smartshares has appointed CIP as the Funds' external investment manager to select each Fund's investments. As investment manager, CIP is responsible for proposing the investment strategy and objectives of the Funds to Smartshares for adoption on an initial and ongoing basis, including proposing the strategic and tactical asset allocation of each Fund and the investments to be invested in by each Fund in pursuance of those allocations. We measure the performance of each Fund against benchmarks that are most relevant for the asset classes or markets of that Fund.

The key benefits of investing in the Funds are:

- Sector specific funds and asset selection by CIP; and
- Taxable income is taxed based on your Prescribed Investor Rate (**PIR**) which is capped at 28%.

Returns are reflected in unit prices

The price you pay for each unit in a Fund (**Unit Price**) reflects the current value of the underlying assets of the Fund, after expenses and liabilities of the Fund are accounted for.

The Unit Price is determined daily by calculating the market value of the Fund's assets divided by the number of units on issue. PIE tax is not taken into account.

A change in value of the Fund's assets will therefore affect the price of your units and the value of your investment. The value of your investment in a Fund is calculated by multiplying the Unit Price of the Fund by the number of units you hold in that Fund. The return on your investment comes from any increase or decrease in the Unit Price and any distributions.

Distributions

We have discretion over Fund distributions. Distributions may be made from income or the capital of the Funds.

Distributions for both Funds are calculated on the last day of March, June, September and December, and distributed within 30 business days of calculation.

Any distributions are paid into your bank account. We may make a PIE tax deduction from any distribution to you.

Making investments

Only investors who are clients of CIP or its related companies are eligible to invest in the Funds.

You can make regular or lump sum investments by instructing your CIP adviser in writing.

The minimum initial investment for each Fund is \$1,000. The minimum amount for any subsequent investment (regular or lump sum) is \$100.

Withdrawing your investments

You can make a withdrawal by instructing your CIP adviser in writing. There is a minimum withdrawal amount of \$1,000. Withdrawals are generally paid within 10 business days of notification*. There are no exit fees charged on withdrawals. PIE tax will be deducted.

We may suspend or defer redemptions in certain circumstances where we consider the redemption impractical or it would materially prejudice the interests of other Unitholders in the relevant Fund. This could include where:

- Trading on an exchange is suspended;
- Unfavourable financial, political or economic conditions apply; or
- Large volumes of redemption requests are received around the same time.

*Unless a suspension or deferral of redemptions is in place.

How to switch between Funds

You can switch all or part of your investment between the Funds by instructing your CIP adviser in writing. The minimum amount you can switch is \$1,000.

Switches are treated as a withdrawal from one Fund and investment into another Fund and are generally processed within 10 business days*. PIE tax will be deducted.

Trans-Tasman Eligibility

The offer is available to eligible investors in New Zealand and Australia and is registered in Australia under the Trans-Tasman mutual recognition scheme.



3. Description of your investment options

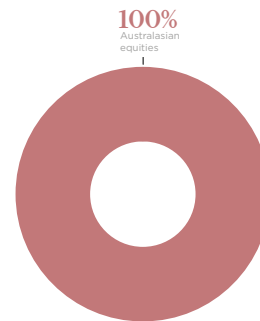
Smartshares CIP NZ Core Equity Fund

Investment objective and strategy

The Fund is designed to provide a stable exposure to New Zealand equities for investors with a long-term investing horizon. The Fund aims to target large-cap, liquid, NZX companies that are aligned to CIP’s investment philosophy.

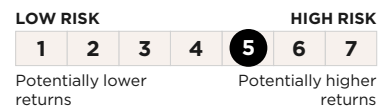
Given the concentrated nature of the Fund, investment returns may vary from the broader market year to year. The Fund invests predominantly in companies that are in the S&P/NZX 50 Index. However, there may be an allocation to smaller companies listed on the NZX Main Board. The Fund may also invest in cash, including when there is a lack of suitable investment options available and may use derivatives for the purposes of cash management.

Target investment mix



Minimum suggested investment timeframe* 5 years

Risk indicator**



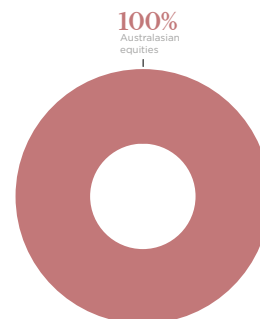
Smartshares CIP NZ Yield Equity Fund

Investment objective and strategy

The Fund aims to provide investors with a higher-than-market dividend yield, whilst remaining aligned to CIP’s investment philosophy. Companies that can deliver sustainable, growing dividends over time are the focus.

Given the concentrated nature of the Fund, investment returns may vary from the broader market year to year. The Fund invests predominantly in companies that are in the S&P/NZX 50 Index. However, there may be an allocation to smaller companies listed on the NZX Main Board. The Fund may also invest in cash, including when there is a lack of suitable investment options available and may use derivatives for the purposes of cash management.

Target investment mix



Minimum suggested investment timeframe* 5 years

Risk indicator**



* The minimum investment timeframe depends on the objective of your investment and your life stage. The timeframes provided are a general guide.

**The risk indicators are based on returns data for the 5 years to 31 March 2024. The Funds have not been in existence for 5 years, so market index returns have been used to complete the risk indicators. As a result, the risk indicators may provide a less reliable indicator of the potential future volatility of the Funds. The risk indicators use 5 years of market index returns.

Further information about the assets in the Funds can be found in the fund updates at quaystreet.com/fund-updates/cip.

Smartshares has prepared a Statement of Investment Policy and Objectives (**SIPO**) for each Fund. The SIPO contains performance benchmarks, benchmark asset class mixes and investment ranges for each Fund and can change from time to time at our discretion. We must notify the Supervisor and you in writing at least one month prior to making any material changes to the SIPO. We cannot implement a material change until all redemption requests received within that notice period have been actioned. Any material changes to the SIPO will be included in the Scheme's Annual Report.



4. What are the risks of investing?

Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.

| LOW RISK | | RISK LEVEL | | | HIGH RISK | |
|---------------------------|---|------------|----------------------------|---|-----------|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Potentially lower returns | | | Potentially higher returns | | | |

A risk indicator for each Fund is included in the table in section 3 (Description of your investment options).

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

General investment risks

Some of the things that may cause the Fund's value to move up and down, which affect the risk indicator, are:

| | |
|---------------------------------|---|
| Market risk | Fund returns are directly affected by the overall performance of the financial markets. Therefore the value of investments may go up and down in response to changes in market conditions, for example prospects of companies, political events, natural disasters, pandemics or economic events such as recession. |
| Specific investment risk | Funds hold specific individual securities that may face unforeseen events which affect the value of the underlying business and may reduce the value of the investment. |
| Interest rate risk | Interest rate risk is the possibility that an investment held by a fund will decline in value as a direct result of changes in interest rates. |
| Liquidity risk | If an investment is not widely traded (i.e. is illiquid) then the fund may not be able to sell the investment or may only be able to sell at a discounted price. |
| Concentration risk | Funds which have a small number of investments, or which invest in a single asset class can be affected by a single event, having a significant impact on one investment or asset class. |

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile by speaking to your CIP adviser or visiting quaystreet.com/investor-hub.

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading 'Other specific risks') that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 March 2024. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for this fund.

Other investment risks

There are other specific risks relating to the Funds that are not reflected in the risk indicator:

| | |
|---|---|
| External investment manager risk | There is a risk that the investment manager selected for a Fund underperforms, resulting in lower returns than the relevant market or objective. To reduce this risk, we have a thorough manager research and monitoring process. |
|---|---|

See the 'Smartshares CIP Funds - Other Material Information' document (**OMI**) available on the offer register at disclose-register.companiesoffice.govt.nz for further information about the risks of investing in the Funds. The OMI contains information about conflicts of interest. You should review both the PDS and the OMI before deciding to invest in the Funds.

5. What are the fees?

You will be charged fees for investing in a Fund. Fees are deducted from your investment and will reduce your returns. The fees you pay will be charged in two ways:

- Regular charges (for example, annual fund charges). Small differences in these fees can have a big impact on your investment over the long term; and
- One-off fees (currently none)

Annual fund charges

| Fund | Total annual fund charges (Estimated) |
|--------------------------------------|---|
| Smartshares CIP NZ Core Equity Fund | 0.25% per annum of the fund's net asset value |
| Smartshares CIP NZ Yield Equity Fund | 0.25% per annum of the fund's net asset value |

Explanation of fee categories

The total annual fund charges are set out as a percentage of the net asset value of the Fund. They are deducted from the applicable Fund and reflected in its Unit Price.

The 'Total Annual Fund Charge' is made up of the following:

- **Management fees** – each Fund has an annual management fee at a fixed rate.
- **Expenses** – these are an estimated amount of costs and expenses to operate and manage the Funds (to the extent they are not otherwise met out of the management fee), including bank fees, custodial transactional fees, audit and legal fees. The estimates have been based on the total amount of costs incurred during the Scheme's previous financial year. The actual expenses incurred will vary from time to time.

We currently meet the fees payable to the administration manager, registrar, supervisor and custodian (excluding custodial transactional fees) out of the management fee.

Certain fees, charges or expenses referred to in this Product Disclosure Statement are subject to GST at the prevailing rate.

Individual Action Fees

No contribution, establishment, termination or withdrawal fees are charged.

You may be charged other fees on an individual basis for investor-specific decisions or actions.

More information relating to fees is available in the 'Other Material Information' document available on the offer register at disclose-register.companiesoffice.govt.nz.

Example of how fees apply to an investor

Sue invests \$10,000 in the Smartshares CIP NZ Core Equity Fund. She is not charged an establishment or a contribution fee.

She is charged management and administration fees, which work out to about \$25.00 (0.25% of \$10,000). These fees might be more or less if her account balance has increased or decreased over the year

Estimated total fees for the first year

Fund charges: \$25.00

See the latest fund update for an example of the actual returns and fees investors were charged over the past year.

This example applies only to the Smartshares CIP NZ Core Equity Fund. If you are considering investing in other funds in the Scheme, this example may not be representative of the actual fees you may be charged.

The fees can be changed

We can change the existing fees and introduce new fees, subject to any maximum levels in the relevant Fund's establishment deed, by giving at least two months' notice to all investors in the relevant Fund.

We must publish a fund update for each Fund showing the fees actually charged during the most recent year. Fund updates, including past updates, are available at quaystreet.com/fund-updates/cip.

6. What taxes will you pay?

Each Fund is a Portfolio Investment Entity (**PIE**). The amount of tax you pay is based on your Prescribed Investor Rate (**PIR**). To determine your PIR, go to ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate. If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue Department.

It is your responsibility to tell us your PIR when you invest or if your PIR changes. If you do not tell us, a default rate may be applied. If the rate applied to your PIE income is lower than your correct PIR, you will be required to pay any tax shortfall as part of the income tax year-end process. If the rate applied to

your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

We may be instructed by Inland Revenue to update your PIR if they believe it is incorrect. We are required to apply this updated PIR, however, you can provide us with a different PIR if you believe this is incorrect.

More information is contained in the 'Other Material Information' document available on the offer register at disclose-register.companiesoffice.govt.nz.

7. Who is involved?

About the Manager

Smartshares is the manager of the Funds.

You can contact us at:

Smartshares Limited
PO Box 105262
Auckland 1143

Phone: 0800 782 900

Email: info@quaystreet.com

Our Australian address for service is:

DLA Piper Australia
Level 22, No.1 Martin Place
Sydney, NSW 2000
Australia

Who else is involved?

| | Name | Role |
|-------------------------------|--|---|
| Supervisor | The New Zealand Guardian Trust Company Limited | Supervises us as the manager of the Smartshares CIP Funds and ensures scheme assets are appropriately held. |
| Custodian | Citibank N.A. | Appointed by the Supervisor to hold the assets of the Smartshares CIP Funds on behalf of investors. |
| Investment Manager | Craigs Investment Partners Limited | Determines the investment objective and strategy of the Funds and the investments to be made by each Fund. |
| Administration Manager | Apex Investment Administration (NZ) Limited | Performs unit pricing, fund accounting and registry functions. |

More information about who is involved can be found in the 'Other Material Information' document available on the offer register at disclose-register.companiesoffice.govt.nz.

8. How to complain

Manager

Complaints about your investment or the Scheme can be made to us at:

Complaints

Smartshares
PO Box 105262
Auckland 1143

Phone: 0800 808 780

Email: complaints@smartshares.co.nz

Supervisor

If you make a complaint to us, and the complaint cannot be resolved, you may refer it to the Supervisor at:

Relationship Manager Corporate Trusts

The New Zealand Guardian Trust Company Limited
PO Box 274
Shortland Street
Auckland 1140

Phone: 09 909 5100

Email: ct-auckland@nzgt.co.nz

Independent dispute resolution scheme

If you make a complaint to us (or the Supervisor), and the complaint cannot be resolved, you may refer it to Financial Services Complaints Limited (**FSCL**) – a Financial Ombudsman Service. FSCL is our independent external ombudsman and dispute resolution service.

Financial Services Complaints Limited

PO Box 5967
Wellington 6140

Phone: 0800 347 257

Email: complaints@fscl.org.nz

FSCL will not charge you a fee to investigate or resolve a complaint.

If you are an Australian resident, instead of complaining to the Financial Services Complaints Limited scheme you may refer it to the Australian Financial Complaints Authority Limited at:

Australian Financial Complaints Authority Limited

GPO Box 3

Melbourne, VIC 3001 Australia

Phone: 1800 931 678 (free call)

Email: info@afca.org.au

Online: afca.org.au

9. Where you can find more information

Further information relating to the Funds, including financial statements, annual reports, fund updates and the SIPO, is available on the offer register and the scheme register at disclose-register.companiesoffice.govt.nz.

A copy of the information on the offer register or scheme register is available on request to the Registrar of Financial Service Providers.

The information set out above is available by contacting us. This information is available free of charge. See section 7 for our contact details.

10. How to apply

Investment into the Smartshares CIP Funds is only available to clients of CIP or its related companies. To find out more information on how to invest in a Fund, speak to your CIP adviser or contact 0800 272 442.

11. Important information for Australian investors

This offer to Australian investors is a recognised offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 of New Zealand and the Financial Markets Conduct Regulations 2014 of New Zealand.

This offer and the content of the offer document are principally governed by New Zealand, rather than Australian, law. In the main, the Financial Markets Conduct Act 2013 of New Zealand and the Financial Markets Conduct Regulations 2014 of New Zealand set out how the offer must be made.

There are differences in how securities and financial products are regulated under New Zealand, as opposed to Australian, law. For example, the disclosure of fees for managed investment schemes is different under New Zealand law.

The rights, remedies and compensation arrangements available to Australian investors in New Zealand securities and financial products may differ from the rights, remedies and compensation arrangements for Australian securities and financial products.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Australian Securities and Investments Commission (ASIC). The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of New Zealand securities and financial products is not the same as that for Australian securities and products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the security or financial product is in dollars that are not Australian dollars. The value of the security or financial product will go up and down according to changes in the exchange rate between those dollars and Australian dollars. These changes may be significant. If you receive any payments in relation to the security or financial product that are not in Australian dollars, you may incur significant fees in having the funds credited to a bank account in Australia in Australian dollars.



P. 0800 808 780 | E. smartshares@smartshares.co.nz
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